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DEC 11 2006

ORDINANCE NO. 3852

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AMENDING SECTIONS 62-100, 62-266, 62-410, 62-415, 62-416, 62-417, 62-444, 62-447, 62-450, 62-455, 62-465, 62-470, 62-475, AND 62-660; AMENDING REGULATION 62-310.3; REPEALING REGULATION 62-447.1 OF CHAPTER 62, CODE OF THE CITY OF CHANDLER, AND ESTABLISHING EFFECTIVE DATES THEREOF, RELATING TO CONFORMING CHANGES TO THE CHANDLER TAX CODE.

BE IT ORDAINED by the City Council of the City of Chandler, Arizona, that the Code of the City of Chandler is hereby amended as follows:

SECTION I. That Section 62-100 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-100. General definitions.

For the purposes of this Chapter, the following definitions apply:

“Assembler” means a person who unites or combines products, wares, or articles of manufacture so as to produce a change in form or substance of such items without changing or altering component parts.

“Broker” means any person engaged or continuing in business who acts for another for a consideration in the conduct of a business activity taxable under this Chapter, and who receives for his principal all or part of the gross income from the taxable activity.

“Business” means all activities or acts, personal or corporate, engaged in and caused to be engaged in with the object of gain, benefit, or advantage, either direct or indirect, but not casual activities or sales.

“Business Day” means any day of the week when the Tax Collector's office is open for the public to conduct the Tax Collector's business.

“Casual Activity or Sale” means a transaction of an isolated nature made by a person who neither represents himself to be nor is engaged in a business subject to a tax imposed by this Chapter. However, no sale, rental, license for use, or lease transaction concerning real property nor any activity entered into by a business taxable by this Chapter shall be treated, or be exempt, as casual. This definition shall include sales of used capital assets, provided that the volume and frequency of such sales do not indicate that the seller regularly engages in selling such property.

“Combined Taxes” means the sum of all applicable Arizona Transaction Privilege and Use Taxes; all applicable transportation taxes imposed upon gross income by this County as authorized by Article III, Chapter 6, Title 42, Arizona Revised Statutes; and all applicable taxes imposed by this Chapter.

“Commercial Property” is any real property, or portion of such property, used for any purpose other than lodging or lodging space, including structures built for lodging but used otherwise, such as model homes, apartments used as office, etc.

“Communications Channel” means any line, wire, cable, microwave, radio signal, light beam, telephone, telegraph, or any other electromagnetic means of moving a message.

“Construction Contracting” refers to the activity of a construction contractor.

“Construction Contractor” means a person who undertakes to or offers to undertake to, or purports to have the capacity to undertake to, or submits a bid to, or does himself or by or through others, construct, alter, repair, add to, subtract from, improve, move, wreck, or demolish any building, highway, road, railroad, excavation, or other structure, project, development, or improvement to real property, or to do any part thereof. "Construction contractor" includes subcontractors, specialty contractors, prime contractors, and any person receiving consideration for the general supervision and/or coordination of such a construction project except for remediation contracting. This definition shall govern without regard to whether or not the construction contractor is acting in fulfillment of a contract.

“Delivery (of Notice) by the Tax Collector” means "receipt (of notice) by the taxpayer”.

“Delivery, Installation, or Other Direct Customer Services” means services or labor, excluding repair labor, provided by a taxpayer to or for his customer at the time of transfer of tangible personal property; provided further that the charge for such labor or service is separately billed to the customer and maintained separately in the taxpayer's books and records.

“Engaging”, when used with reference to engaging or continuing in business, includes the exercise of corporate or franchise powers.

“Equivalent Excise Tax” means either:

- (1) A Privilege or Use Tax levied by another Arizona municipality upon the transaction in question, and paid either to such Arizona municipality directly or to the vendor; or
- (2) An excise tax levied by a political subdivision of a state other than Arizona upon the transaction in question, and paid either to such jurisdiction directly or to the vendor; or
- (3) An excise tax levied by a Native American Government organized under the laws of the federal government upon the transaction in question, and paid either to such jurisdiction directly or to the vendor.

“Federal Government” means the United States Government, its departments and agencies; but not including national banks or federally chartered or insured banks, savings and loan institutions, or credit unions.

“Food” means any items intended for human consumption as defined by rules and regulations adopted by the Department of Revenue, State of Arizona, pursuant to A.R.S. Section 42-5106. Under no circumstances shall "food" include alcoholic beverages or tobacco, or food items purchased for use in conversion to any form of alcohol by distillation, fermentation, brewing, or other process.

“Hotel” means any public or private hotel, inn, hostelry, tourist home, house, motel, rooming house, apartment house, trailer, or other lodging place within the City offering lodging, wherein the owner thereof, for compensation, furnishes lodging to any transient, except foster homes, rest homes, sheltered care homes, nursing homes, or primary health care facilities.

“Jet Fuel” means jet fuel as defined in A.R.S. Section 42-5351.

“Job Printing” means the activity of copying or reproducing an article by any means, process, or method. "Job printing" includes engraving of printing plates, embossing, copying, micrographics, and photo reproduction.

“Lessee” includes the equivalent person in a rental or licensing agreement for all purposes of this Chapter.

“Lessor” includes the equivalent person in a rental or licensing agreement for all purposes of this Chapter.

“Licensing (for Use)” means any agreement between the user ("licensee") and the owner or the owner's agent ("licensor") for the use of the licensor's property whereby the licensor receives consideration, where such agreement does not qualify as a "sale" or "lease" or "rental" agreement.

“Lodging (Lodging Space)” means any room or apartment in a hotel or any other provider of rooms, trailer spaces, or other residential dwelling spaces; or the furnishings or services and accommodations accompanying the use and possession of said dwelling space, including storage or parking space for the property of said tenant.

“Manufactured Buildings” means a manufactured home, mobile home or factory built building, as defined in A.R.S. Section 41-2142.

“Manufacturer” means a person engaged or continuing in the business of fabricating, producing, or manufacturing products, wares, or articles for use from other forms of tangible personal property, imparting to such new forms, qualities, properties, and combinations.

“Mining and Metallurgical Supplies” means all tangible personal property acquired by persons engaged in activities defined in Section 62-432 for such use. This definition shall not include:

- (1) Janitorial equipment and supplies,
- (2) Office equipment, office furniture, and office supplies,
- (3) Motor vehicles licensed for use upon the highways of the State.

“Modifier” means a person who reworks, changes, or adds to products, wares, or articles of manufacture.

“Nonprofit Entity” means any entity organized and operated exclusively for charitable purposes, or operated by the Federal Government, the State, or any political subdivision of the State.

“Occupancy (of Real Property)” means any occupancy or use, or any right to occupy or use, real property including any improvements, rights, or interests in such property.

“Out-of-City Sale” means the sale of tangible personal property and job printing if all of the following occur:

- (1) Transference of title and possession occur without the City; and
- (2) The stock from which such personal property was taken was not within the corporate limits of the City; and
- (3) The order is received at a permanent business location of the seller located outside the City, which location is used for the substantial and regular conduct of such business sales activity. In no event shall the place of business of the buyer be determinative of the situs of the receipt of the order.

For the purpose of this definition it does not matter that all other indicia of business occur within the City, including, but not limited to, accounting, invoicing, payments, centralized purchasing, and supply to out-of-City storehouses and out-of-City retail branch outlets from a primary storehouse within the City.

“Out-of-State Sale” means the sale of tangible personal property and job printing if all of the following occur:

- (1) The order is placed from without the State of Arizona; and
- (2) The order is placed by other than a resident of the State to be determined in a manner similar to "resides within the City"; and
- (3) The property is delivered to the buyer at a location outside the State; and

- (4) The property is purchased for use outside the State.

“Owner-Builder” means an owner or lessor of real property who, by himself or by or through others, constructs or has constructed or reconstructs or has reconstructed any improvement to real property.

“Person” means an individual, firm, partnership, joint venture, association, corporation, estate, trust, receiver, syndicate, broker, the Federal Government, this State, or any political subdivision or agency of this State. For the purposes of this Chapter, a person shall be considered a distinct and separate person from any general or limited partnership or joint venture or other association with which such person is affiliated. A subsidiary corporation shall be considered a separate person from its parent corporation for purposes of taxation of transactions with its parent corporation.

“Prosthetic” means any of the following tangible personal property if such items are prescribed or recommended by a licensed podiatrist, chiropractor, dentist, physician or surgeon, naturopath, optometrist, osteopathic physician or surgeon, psychologist, hearing aid dispenser, physician assistant, nurse practitioner or veterinarian:

- (1) Any man-made device for support or replacement of a part of the body, or to increase acuity of one of the senses. Such items include: prescription eyeglasses; contact lenses; hearing aids; artificial limbs or teeth; neck, back, arm, leg, or similar braces.
- (2) Insulin, insulin syringes, and glucose test strips sold with or without a prescription.
- (3) Hospital beds, crutches, wheelchairs, similar home health aids, or corrective shoes.
- (4) Drugs or medicine, including oxygen.
- (5) Equipment used to generate, monitor, or provide health support systems, such as respiratory equipment, oxygen concentrator, or dialysis machine.
- (6) Durable medical equipment which has a federal health care financing administration common procedure code, is designated reimbursable by Medicare, can withstand repeated use, is primarily and customarily used to serve a medical purpose, is generally not useful to a person in the absence of illness or injury and is appropriate for use in the home.

“Qualifying Community Health Center”

- (a)(1) Means an entity that is recognized as nonprofit under 501(c)(3) of the United States Internal Revenue Code, that is a community-based, primary care clinic that has a community-based board of directors and that is either:

(1)(A) The sole provider of primary care in the community.

(2)(B) A non-hospital affiliated clinic that is located in a federally designated medically underserved area in this State.

- (b)(2) Includes clinics that are being constructed as qualifying community health centers.

“Qualifying Health Care Organization” means an entity that is recognized as nonprofit under Section 501(c) of the United States Internal Revenue Code and that uses, saves or invests at least eighty per cent (80%) of all monies that it receives from all sources each year only for health and medical related educational and charitable services, as documented by annual financial audits prepared by an independent certified public accountant, performed according to generally accepted accounting standards and filed annually with the Arizona Department Of Revenue. Monies that are used, saved or invested to lease, purchase or construct a facility for health and medical related education and charitable services are included in the eighty percent (80%) requirement.

“Qualifying Hospital” means any of the following:

- (1) A licensed hospital which is organized and operated exclusively for charitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.
- (2) A licensed nursing care institution or a licensed residential care institution or a residential care facility operated in conjunction with a licensed nursing care institution or a licensed kidney dialysis center, which provides medical services, nursing services or health related services and is not used or held for profit.
- (3) A hospital, nursing care institution or residential care institution which is operated by the federal government, this State or a political subdivision of this State.
- (4) A facility that is under construction and that on completion will be a facility under subdivision (1), (2) or (3) of this paragraph.

“Receipt (of Notice) by the Taxpayer” means the earlier of actual receipt or the first attempted delivery by certified United States mail to the taxpayer's address of record with the Tax Collector.

“Remediation” means those actions that are reasonable, necessary, cost-effective and technically feasible in the event of the release or threat of release of hazardous substances into the environment such that the waters of the State are or may be affected, such actions as may be necessary to monitor, assess and evaluate such release or threat of release, actions of remediation, removal or disposal of hazardous substances or taking such other actions as may be necessary to prevent, minimize or mitigate damage to the public health or welfare or to the waters of the State which may otherwise result from a release or threat of release of a hazardous substance that will or may affect the waters of the State. Remediation activities include the use of biostimulation with indigenous microbes and bioaugmentation using microbes that are nonpathogenic, non-opportunistic and that are naturally occurring. Remediation activities may include community information and participation costs and providing an alternative drinking water supply.

“Rental Equipment” means tangible personal property sold, rented, leased, or licensed to customers to the extent that the item is actually used by the customer for rental, lease, or license to others; provided that:

- ~~(1)~~ — (Reserved)
- ~~(2)~~(1) The vendee is regularly engaged in the business of renting, leasing, or licensing such property for a consideration; and
- ~~(3)~~(2) The item so claimed as "rental equipment" is not used by the person claiming the exemption for any purpose other than rental, lease, or license for compensation, to an extent greater than fifteen percent (15%) of its actual use.

“Rental Supply” means an expendable or non-expendable repair or replacement part sold to become part of "rental equipment", provided that:

- (1) The documentation relating to each purchased item so claimed specifically itemizes to the vendor the actual item of "rental equipment" to which the purchased item is intended to be attached as a repair or replacement part; and
- (2) The vendee is regularly engaged in the business of renting, leasing, or licensing such property for a consideration; and
- (3) The item so claimed as "rental equipment" is not used by the person claiming the exemption for any purpose other than rental, lease, or license for compensation, to an extent greater than fifteen percent (15%) of its actual use.

“Repairer” means a person who restores or renews products, wares, or articles of manufacture.

“Resides within the City” means in cases other than individuals, whose legal addresses are determinative of residence, the engaging, continuing, or conducting of regular business activity within the City.

“Restaurant” means any business activity where articles of food, drink, or condiment are customarily prepared or served to patrons for consumption on or off the premises, also including bars, cocktail lounges, the dining rooms of hotels, and all caterers. For the purposes of this Chapter, a "fast food" business, which includes street vendors and mobile vendors selling in public areas or at entertainment or sports or similar events, who prepares or sells food or drink for consumption on or off the premises is considered a "restaurant", and not a "retailer".

“Retail Sale (Sale at Retail)” means the sale of tangible personal property, except the sale of tangible personal property to a person regularly engaged in the business of selling such property.

“Retailer” means any person engaged or continuing in the business of sales of tangible personal property at retail.

“Sale” means any transfer of title or possession, or both, exchange, barter, conditional or otherwise, in any manner or by any means whatsoever, including consignment transactions and auctions, of property for a consideration. "Sale" includes any transaction whereby the possession of such property is transferred but the seller retains the title as security for the payment of the price. "Sale" also includes the fabrication of tangible personal property for consumers who, in whole or in part, furnish either directly or indirectly the materials used in such fabrication work.

“Speculative Builder” means either:

- (1) An owner-builder who sells or contracts to sell, at anytime, improved real property (as provided in Section 62-416) consisting of:
 - (A) Custom, model, or inventory homes, regardless of the stage of completion of such homes; or
 - (B) Improved residential or commercial lots without a structure; or
- (2) An owner-builder who sells or contracts to sell improved real property, other than improved real property specified in subsection (1) above:
 - (A) Prior to completion; or
 - (B) Before the expiration of twenty-four (24) months after the improvements of the real property sold are substantially complete.

“Substantially Complete” means the construction contracting or reconstruction contracting:

- (1) Has passed final inspection or its equivalent; or
- (2) Certificate of occupancy or its equivalent has been issued; or
- (3) Is ready for immediate occupancy or use.

“Supplier” means any person who rents, leases, licenses, or makes sales of tangible personal property within the City, either directly to the consumer or customer or to wholesalers, jobbers, fabricators, manufacturers, modifiers, assemblers, repairers, or those engaged in the business of providing services which involve the use, sale, rental, lease, or license of tangible personal property.

“Tax Collector” means the Management Services Director or his designee or agent for all purposes under this Chapter.

“Taxpayer” means any person liable for any tax under this Chapter.

"Taxpayer Problem Resolution Officer" means the individual designated by the City to perform the duties identified in Sections 62-515 and 62-516. In cities with a population of 50,000 or more, the Taxpayer Problem Resolution Officer shall be an employee of the City. In cities with a population of less than 50,000, the Taxpayer Problem Resolution Officer need not be an employee of the City. Regardless of whether the Taxpayer Problem Resolution Officer is or is not an employee of the City, the Taxpayer Problem Resolution Officer shall have substantive knowledge of taxation. The identity of and telephone number for the Taxpayer Problem Resolution Officer can be obtained from the Tax Collector.

"Telecommunication Service" means any service or activity connected with the transmission or relay of sound, visual image, data, information, images, or material over a communications channel or any combination of communications channels.

"TRANSIENT" MEANS ANY PERSON WHO EITHER AT THE PERSON'S OWN EXPENSE OR AT THE EXPENSE OF ANOTHER OBTAINS LODGING SPACE OR THE USE OF LODGING SPACE ON A DAILY OR WEEKLY BASIS, OR ON ANY OTHER BASIS FOR LESS THAN THIRTY (30) CONSECUTIVE DAYS.

"Utility Service" means the producing, providing, or furnishing of electricity, electric lights, current, power, gas (natural or artificial), or water to consumers or rate-payers.

SECTION II. That Section 62-266 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-266. Exclusion of motor carrier revenues from gross income.

There shall be excluded from gross income the gross proceeds of sale or gross income derived from any of the following:

- (a) A motor carrier's use on the public highways in this State if the motor carrier is subject to a fee prescribed in A.R.S. TITLE 28, CHAPTER 15, ARTICLE 4 OR A.R.S. Title 28, Chapter 16.
- (b) Leasing, renting or licensing a motor vehicle subject to and upon which the fee has been paid under A.R.S. Title 28, Chapter 16.
- (c) The sale of a motor vehicle and any repair and replacement parts and tangible personal property becoming a part of such motor vehicle, to a motor carrier who is subject to a fee prescribed in A.R.S. Title 28, Chapter 16 and who is engaged in the business of leasing, renting or licensing such property.

For the purposes of these exclusions, motor carrier includes a motor vehicle weighing 26,000 pounds or more, a lightweight motor vehicle which weighs 12,001 pounds to 26,000 pounds and a light motor vehicle weighing 12,000 pounds or less, which pay the fee prescribed in A.R.S. TITLE 28, CHAPTER 15 OR A.R.S. Title 28, Chapter 16.

SECTION III. That Regulation 62-410 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-410. Amusements, exhibitions, and similar activities.

- (a) The tax rate shall be at an amount equal to one and one-half percent (1.5%) of the gross income from the business activity upon every person engaging or continuing in the following type or nature of businesses:
- (1) Operating or conducting theaters, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, menageries, fairs, races, contests, games, billiard or pool parlors, bowling alleys, skating rinks, tennis courts, golf courses, video games, pinball machines, public dances, dancehalls, sports events, jukeboxes, batting and driving ranges, animal rides, or any other business charging admission for exhibition, amusement, or entertainment.
 - (2) Health spas, fitness centers, dance studios, or other persons who charge for the use of premises for sports, athletic, other health-related activities, or instruction, whether on a per-event use, or for long-term usage, such as membership fees.
- (b) ~~(Reserved)~~ DEDUCTIONS OR EXEMPTIONS. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE FOLLOWING SOURCES IS EXEMPT FROM THE TAX IMPOSED BY THIS SECTION:
- (1) (RESERVED)
 - (2) AMOUNTS RETAINED BY THE ARIZONA EXPOSITION AND STATE FAIR BOARD FROM RIDE TICKET SALES AT THE ANNUAL ARIZONA STATE FAIR.
 - (3) INCOME RECEIVED FROM A HOTEL BUSINESS SUBJECT TO TAX UNDER SECTION 62-444, IF ALL OF THE FOLLOWING APPLY:
 - (A) THE HOTEL BUSINESS RECEIVES GROSS INCOME FROM A CUSTOMER FOR THE SPECIFIC BUSINESS ACTIVITY OTHERWISE SUBJECT TO AMUSEMENT TAX.
 - (B) THE CONSIDERATION RECEIVED BY THE HOTEL BUSINESS IS EQUAL TO OR GREATER THAN THE AMOUNT TO BE DEDUCTED UNDER THIS SUBSECTION.
 - (C) THE HOTEL BUSINESS HAS PROVIDED AN EXEMPTION CERTIFICATE TO THE PERSON ENGAGING IN BUSINESS UNDER THIS SECTION.
 - (4) INCOME THAT IS SPECIFICALLY INCLUDED AS THE GROSS INCOME OF A BUSINESS ACTIVITY UPON WHICH ANOTHER SECTION OF THIS ARTICLE IMPOSES A TAX, THAT IS SEPARATELY STATED TO THE CUSTOMER AND IS TAXABLE TO THE PERSON ENGAGED IN THAT CLASSIFICATION NOT TO EXCEED CONSIDERATION PAID TO THE PERSON CONDUCTING THE ACTIVITY.

- (5) INCOME FROM ARRANGING TRANSPORTATION CONNECTED TO AMUSEMENT ACTIVITY THAT IS SEPARATELY STATED TO THE CUSTOMER, NOT TO EXCEED CONSIDERATION PAID TO THE TRANSPORTATION BUSINESS.
- (c) THE TAX IMPOSED BY THIS SECTION SHALL NOT INCLUDE ARRANGING AN AMUSEMENT ACTIVITY AS A SERVICE TO A PERSON'S CUSTOMERS IF THAT PERSON IS NOT OTHERWISE ENGAGED IN THE BUSINESS OF OPERATING OR CONDUCTING AN AMUSEMENT THEMSELVES OR THROUGH OTHERS. THIS EXCEPTION DOES NOT APPLY TO BUSINESSES THAT OPERATE OR CONDUCT AMUSEMENTS PURSUANT TO CUSTOMER ORDERS AND SEND THE BILLINGS AND RECEIVE THE PAYMENTS ASSOCIATED WITH THAT ACTIVITY, INCLUDING WHEN THE AMUSEMENT IS PERFORMED BY THIRD PARTY INDEPENDENT CONTRACTORS. FOR THE PURPOSES OF THIS PARAGRAPH, "ARRANGING" INCLUDES BILLING FOR OR COLLECTING AMUSEMENT CHARGES FROM A PERSON'S CUSTOMERS ON BEHALF OF THE PERSONS PROVIDING THE AMUSEMENT.

SECTION IV. That Section 62-415 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-415. Construction contracting: construction contractors.

- (a) The tax rate shall be at an amount equal to one and one-half percent (1.5%) of the gross income from the business upon every construction contractor engaging or continuing in the business activity of construction contracting within the City.
- (1) However, gross income from construction contracting shall not include charges related to groundwater measuring devices required by A.R.S. Section 45-604.
 - (2) (Reserved)
 - (3) Gross income from construction contracting shall not include gross income from the sale of manufactured buildings taxable under Section 62-427.
- (b) Deductions and exemptions.
- (1) Gross income derived from acting as a "subcontractor" shall be exempt from the tax imposed by this Section.
 - (2) All construction contracting gross income subject to the tax and not deductible herein shall be allowed a deduction of thirty-five percent (35%).
 - (3) The gross proceeds of sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property that is exempt from or deductible from privilege or use tax under:
 - (A) Section 62-465, subsections (g) and (p)
 - (B) Section 62-660, subsections (g) and (p) shall be exempt or deductible, respectively, from the tax imposed by this Section.
 - (4) The gross proceeds of sales or gross income that is derived from a contract entered into for the installation, assembly, repair or maintenance of income-producing capital

equipment, as defined in Section 62-110, that is deducted from the retail classification pursuant to Section 62-465(g), that does not become a permanent attachment to a building, highway, road, railroad, excavation or manufactured building or other structure, project, development or improvement shall be deducted from the tax imposed by this Section. If the ownership of the realty is separate from the ownership of the income-producing capital equipment, the determination as to permanent attachment shall be made as if the ownership was the same. The deduction provided in this paragraph does not include gross proceeds of sales or gross income from that portion of any contracting activity which consists of the development of, or modification to, real property in order to facilitate the installation, assembly, repair, maintenance or removal of the income-producing capital equipment. For purposes of this paragraph, "permanent attachment" means at least one of the following:

- (A) To be incorporated into real property.
 - (B) To become so affixed to real property that it becomes part of the real property.
 - (C) To be so attached to real property that removal would cause substantial damage to the real property from which it is removed.
- (5) The gross proceeds of sales or gross income received from a contract for the construction of an environmentally controlled facility for the raising of poultry for the production of eggs and the sorting, or cooling and packaging of eggs shall be exempt from the tax imposed under this Section.
 - (6) The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of clean rooms that are deducted from the tax base of the retail classification pursuant to Section 62-465, subsection (g) shall be exempt from the tax imposed under this Section.
 - (7) The gross proceeds of sales or gross income that is derived from a contract entered into with a person who is engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this State for the construction, alteration, repair, improvement, movement, wrecking or demolition or addition to or subtraction from any building, highway, road, excavation, manufactured building or other structure, project, development or improvement used directly and primarily to prevent, monitor, control or reduce air, water or land pollution shall be exempt from the tax imposed under this Section.
 - (8) The gross proceeds of sales or gross income received from a post construction contract to perform post-construction treatment of real property for termite and general pest control, including wood destroying organisms, shall be exempt from tax imposed under this Section.
 - (9) THROUGH DECEMBER 31, 2009, THE GROSS PROCEEDS OF SALES OR GROSS INCOME RECEIVED FROM A CONTRACT FOR CONSTRUCTING ANY LAKE FACILITY DEVELOPMENT IN A COMMERCIAL ENHANCEMENT REUSE DISTRICT THAT IS DESIGNATED PURSUANT TO A.R.S. § 9-499.08 IF THE CONTRACTOR MAINTAINS THE FOLLOWING RECORDS IN A FORM SATISFACTORY TO THE ARIZONA DEPARTMENT OF REVENUE AND TO THE CITY:

- (A) THE CERTIFICATE OF QUALIFICATION OF THE LAKE FACILITY DEVELOPMENT ISSUED BY THE CITY PURSUANT TO A.R.S. § 9-499.08, SUBSECTION D.
 - (B) ALL STATE AND LOCAL TRANSACTION PRIVILEGE TAX RETURNS FOR THE PERIOD OF TIME DURING WHICH THE CONTRACTOR RECEIVED GROSS PROCEEDS OF SALES OR GROSS INCOME FROM A CONTRACT TO CONSTRUCT A LAKE FACILITY DEVELOPMENT IN A DESIGNATED COMMERCIAL ENHANCEMENT REUSE DISTRICT, SHOWING THE AMOUNT EXEMPTED FROM STATE AND LOCAL TAXATION.
 - (C) ANY OTHER INFORMATION CONSIDERED TO BE NECESSARY.
 - (10) DEVELOPMENT OR IMPACT FEES INCLUDED IN A CONSTRUCTION OR DEVELOPMENT CONTRACT FOR PAYMENT TO THE STATE OR LOCAL GOVERNMENT TO OFFSET GOVERNMENTAL COSTS OF PROVIDING PUBLIC INFRASTRUCTURE, PUBLIC SAFETY AND OTHER PUBLIC SERVICES TO A DEVELOPMENT.
- (c) "Subcontractor" means a construction contractor performing work for either:
- (1) A construction contractor who has provided the subcontractor with a written declaration that he is liable for the tax for the project and has provided the subcontractor his City Privilege License number.
 - (2) An owner-builder who has provided the subcontractor with a written declaration that:
 - (A) The owner-builder is improving the property for sale; and
 - (B) The owner-builder is liable for the tax for such construction contracting activity; and
 - (C) The owner-builder has provided the contractor his City Privilege License number.
 - (3) A person selling new manufactured buildings who has provided the subcontractor with a written declaration that he is liable for the tax for the site preparation and set-up; and provided the subcontractor his City Privilege License number.

Subcontractor also includes a construction contractor performing work for another subcontractor as defined above.

SECTION V. That Section 62-416 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-416. Construction contracting: speculative builders.

- (a) The tax shall be equal to one and one-half percent (1.5%) of the gross income from the business activity upon every person engaging or continuing in business as a speculative builder within the City.

- (1) The gross income of a speculative builder considered taxable shall include the total selling price from the sale of improved real property at the time of closing of escrow or transfer of title.
 - (2) “Improved Real Property” means any real property:
 - (A) Upon which a structure has been constructed; or
 - (B) Where improvements have been made to land containing no structure (such as paving or landscaping); or
 - (C) Which has been reconstructed as provided by Regulation; or
 - (D) Where water, power, and streets have been constructed to the property line.
 - (3) “Sale of Improved Real Property” includes any form of transaction, whether characterized as a lease or otherwise, which in substance is a transfer of title of, or equitable ownership in, improved real property and includes any lease of the property for a term of thirty (30) years or more (with all options for renewal being included as a part of the term). In the case of multiple unit projects, "sale" refers to the sale of the entire project or to the sale of any individual parcel or unit.
 - (4) “Partially Improved Residential Real Property” as used in this Section, means any improved real property, as defined in subsection (a)(2) above, being developed for sale to individual homeowners, where the construction of the residence upon such property is not substantially complete at the time of the sale.
- (b) Exclusions.
- (1) In cases involving reconstruction contracting, the speculative builder may exclude from gross income the prior value allowed for reconstruction contracting in determining his taxable gross income, as provided by Regulation.
 - (2) Neither the cost nor the fair market value of the land which constitutes part of the improved real property sold may be excluded or deducted from gross income subject to the tax imposed by this Section.
 - (3) (Reserved)
 - (4) A speculative builder may exclude gross income from the sale of partially improved residential real property as defined in (a)(4) above to another speculative builder only if all of the following conditions are satisfied:
 - (A) The speculative builder purchasing the partially improved residential real property has a valid City privilege license for construction contracting as a speculative builder; and
 - (B) At the time of the transaction, the purchaser provides the seller with a properly completed written declaration that the purchaser assumes the liability for and will pay all privilege taxes which would otherwise be due the City at the time of sale of the partially improved residential real property; and
 - (C) The seller also:
 - (i) Maintains proper records of such transactions in a manner similar to the requirements provided in this Chapter relating to sales for resale; and
 - (ii) Retains a copy of the written declaration provided by the buyer for the transaction; and

- (iii) Is properly licensed with the City as a speculative builder and provides the City with the written declaration attached to the City privilege tax return where he claims the exclusion.
- (c) Tax liability for speculative builders occurs at close of escrow or transfer of title, whichever occurs earlier, and is subject to the following provisions relating to exemptions, deductions and tax credits:
 - (1) Exemptions.
 - (A) The gross proceeds of sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property that is exempt from or deductible from privilege or use tax under:
 - (i) Section 62-465, subsections (g) and (p)
 - (ii) Section 62-660, subsections (g) and (p)
 shall be exempt or deductible, respectively, from the tax imposed by this Section.
 - (B) The gross proceeds of sales or gross income received from a contract for the construction of an environmentally controlled facility for the raising of poultry for the production of eggs and the sorting, or cooling and packaging of eggs shall be exempt from the tax imposed under this Section.
 - (C) The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of clean rooms that are deducted from the tax base of the retail classification pursuant to Section 62-465, subsection (g) shall be exempt from the tax imposed under this Section.
 - (D) The gross proceeds of sales or gross income that is derived from a contract entered into with a person who is engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state for the construction, alteration, repair, improvement, movement, wrecking or demolition or addition to or subtraction from any building, highway, road, excavation, manufactured building or other structure, project, development or improvement used directly and primarily to prevent, monitor, control or reduce air, water or land pollution shall be exempt from the tax imposed under this Section.
 - (E) DEVELOPMENT OR IMPACT FEES INCLUDED IN A CONSTRUCTION OR DEVELOPMENT CONTRACT FOR PAYMENT TO THE STATE OR LOCAL GOVERNMENT TO OFFSET GOVERNMENTAL COSTS OF PROVIDING PUBLIC INFRASTRUCTURE, PUBLIC SAFETY AND OTHER PUBLIC SERVICES TO A DEVELOPMENT.
 - (2) Deductions.
 - (A) All amounts subject to the tax shall be allowed a deduction in the amount of thirty-five percent (35%).
 - (B) The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of income-producing capital equipment, as defined in Section 62-110, that is deducted from the retail classification pursuant to Section 62-465(g), that does not become a permanent attachment to a

building, highway, road, railroad, excavation or manufactured building or other structure, project, development or improvement shall be deducted from the tax imposed by this section. If the ownership of the realty is separate from the ownership of the income-producing capital equipment, the determination as to permanent attachment shall be made as if the ownership was the same. The deduction provided in this paragraph does not include gross proceeds of sales or gross income from that portion of any contracting activity which consists of the development of, or modification to, real property in order to facilitate the installation, assembly, repair, maintenance or removal of the income-producing capital equipment. For purposes of this paragraph, "permanent attachment" means at least one of the following:

- (i) To be incorporated into real property.
- (ii) To become so affixed to real property that it becomes part of the real property.
- (iii) To be so attached to real property that removal would cause substantial damage to the real property from which it is removed.

(3) Tax Credits.

The following tax credits are available to owner-builders or speculative builders, not to exceed the tax liability against which such credits apply, provided such credits are documented to the satisfaction of the Tax Collector:

- (A) A tax credit equal to the amount of city privilege or use tax, or the equivalent excise tax, paid directly to a taxing jurisdiction or as a separately itemized charge paid directly to the vendor with respect to the tangible personal property incorporated into the said structure or improvement to real property undertaken by the owner-builder or speculative builder.
- (B) A tax credit equal to the amount of privilege taxes paid to this City, or charged separately to the speculative builder, by a construction contractor, on the gross income derived by said person from the construction of any improvement to the real property.
- (C) No credits provided herein may be claimed until such time that the gross income against which said credits apply is reported.

SECTION VI. That Section 62-417 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-417. Construction contracting: owner-builders who are not speculative builders.

- (a) At the expiration of twenty-four (24) months after improvement to the property is substantially complete, the tax liability for an owner-builder who is not a speculative builder shall be at an amount equal to one and one-half percent (1.5%) of:
 - (1) The gross income from the activity of construction contracting upon the real property in question which was realized by those construction contractors to whom the owner-builder provided written declaration that they were not responsible for the taxes as prescribed in Subsection 62-415(c)(2); and

- (2) The purchase of tangible personal property for incorporation into any improvement to real property, computed on the sales price.
- (b) The tax liability of this Section is subject to the following provisions relating to exemptions, deductions and tax credits.

- (1) Exemptions.

- (A) The gross proceeds of sales or gross income attributable to the purchase of machinery, equipment or other tangible personal property that is exempt from or deductible from privilege or use tax under:

- (i) Section 62-465, subsections (g) and (p)

- (ii) Section 62-660, subsections (g) and (p)

shall be exempt or deductible, respectively, from the tax imposed by this section.

- (B) The gross proceeds of sales or gross income received from a contract for the construction of an environmentally controlled facility for the raising of poultry for the production of eggs and the sorting, or cooling and packaging of eggs shall be exempt from the tax imposed under this Section.

- (C) The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of clean rooms that are deducted from the tax base of the retail classification pursuant to Section 62-465, subsection (g) shall be exempt from the tax imposed under this Section.

- (D) The gross proceeds of sales or gross income that is derived from a contract entered into with a person who is engaged in the commercial production of livestock, livestock products or agricultural, horticultural, viticultural or floricultural crops or products in this state for the construction, alteration, repair, improvement, movement, wrecking or demolition or addition to or subtraction from any building, highway, road, excavation, manufactured building or other structure, project, development or improvement used directly and primarily to prevent, monitor, control or reduce air, water or land pollution shall be exempt from the tax imposed under this Section.

- (E) DEVELOPMENT OR IMPACT FEES INCLUDED IN A CONSTRUCTION OR DEVELOPMENT CONTRACT FOR PAYMENT TO THE STATE OR LOCAL GOVERNMENT TO OFFSET GOVERNMENTAL COSTS OF PROVIDING PUBLIC INFRASTRUCTURE, PUBLIC SAFETY AND OTHER PUBLIC SERVICES TO A DEVELOPMENT.

- (2) Deductions.

- (A) All amounts subject to the tax shall be allowed a deduction in the amount of thirty-five percent (35%).

- (B) The gross proceeds of sales or gross income that is derived from the installation, assembly, repair or maintenance of income-producing capital equipment, as defined in Section 62-110, that is deducted from the retail classification pursuant to Section 62-465(g), that does not become a permanent attachment to a building, highway, road, railroad, excavation or manufactured building or other structure, project, development or improvement shall be deducted from the tax imposed by this section. If the ownership of the realty is separate from the

ownership of the income-producing capital equipment, the determination as to permanent attachment shall be made as if the ownership was the same. The deduction provided in this paragraph does not include gross proceeds of sales or gross income from that portion of any contracting activity which consists of the development of, or modification to, real property in order to facilitate the installation, assembly, repair, maintenance or removal of the income-producing capital equipment. For purposes of this paragraph, "permanent attachment" means at least one of the following:

- (i) To be incorporated into real property.
- (ii) To become so affixed to real property that it becomes part of the real property.
- (iii) To be so attached to real property that removal would cause substantial damage to the real property from which it is removed.

(3) Tax Credits.

The following tax credits are available to owner-builders and speculative builders, not to exceed the tax liability against which such credits apply, provided such credits are documented to the satisfaction of the Tax Collector:

- (A) A tax credit equal to the amount of city privilege or use tax, or the equivalent excise tax, paid directly to a taxing jurisdiction or as a separately itemized charge paid directly to the vendor with respect to the tangible personal property incorporated into the said structure or improvement to real property undertaken by the owner-builder or speculative builder.
- (B) A tax credit equal to the amount of privilege taxes paid to this City, or charged separately to the speculative builder, by a construction contractor, on the gross income derived by said person from the construction of any improvement to the real property.
- (C) No credits provided herein may be claimed until such time that the gross income against which said credits apply is reported.
- (c) The limitation period for the assessment of taxes imposed by this Section is measured based upon when such liability is reportable, that is, in the reporting period that encompasses the twenty-fifth (25th) month after said unit or project was substantially complete. Interest and penalties, as provided in Section 62-540, will be based on reportable date.
- (d) (Reserved)

SECTION VII. That Section 62-444 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-444. Hotels.

The tax rate shall be at an amount equal to one and one-half percent (1.5%) of the gross income from the business activity upon every person engaging or continuing in the business of operating a hotel charging for lodging and/or lodging space furnished to any:

- (a) Person.

(b) ~~(Reserved)~~ EXCLUSIONS. THE TAX IMPOSED BY THIS SECTION SHALL NOT INCLUDE:

- (1) INCOME DERIVED FROM INCARCERATING OR DETAINING PRISONERS WHO ARE UNDER THE JURISDICTION OF THE UNITED STATES, THIS STATE OR ANY OTHER STATE OR A POLITICAL SUBDIVISION OF THIS STATE OR OF ANY OTHER STATE IN A PRIVATELY OPERATED PRISON, JAIL OR DETENTION FACILITY.
- (2) GROSS PROCEEDS OF SALES OR GROSS INCOME THAT IS PROPERLY INCLUDED IN ANOTHER BUSINESS ACTIVITY UNDER THIS ARTICLE AND THAT IS TAXABLE TO THE PERSON ENGAGED IN THAT BUSINESS ACTIVITY, BUT THE GROSS PROCEEDS OF SALES OR GROSS INCOME TO BE DEDUCTED SHALL NOT EXCEED THE CONSIDERATION PAID TO THE PERSON CONDUCTING THE ACTIVITY.
- (3) GROSS PROCEEDS OF SALES OR GROSS INCOME FROM TRANSACTIONS OR ACTIVITIES THAT ARE NOT LIMITED TO TRANSIENTS AND THAT WOULD NOT BE TAXABLE IF ENGAGED IN BY A PERSON NOT SUBJECT TO TAX UNDER THIS ARTICLE.
- (4) GROSS PROCEEDS OF SALES OR GROSS INCOME FROM TRANSACTIONS OR ACTIVITIES THAT ARE NOT LIMITED TO TRANSIENTS AND THAT WOULD NOT BE TAXABLE IF ENGAGED IN BY A PERSON SUBJECT TO TAXATION UNDER SECTION 62-410 OR SECTION 62-475 DUE TO AN EXCLUSION, EXEMPTION OR DEDUCTION.
- (5) GROSS PROCEEDS OF SALES OR GROSS INCOME FROM COMMISSIONS RECEIVED FROM A PERSON PROVIDING SERVICES OR PROPERTY TO THE CUSTOMERS OF THE HOTEL. HOWEVER, SUCH COMMISSIONS MAY BE SUBJECT TO TAX UNDER SECTION 62-445 OR SECTION 62-450 AS RENTAL, LEASING OR LICENSING FOR USE OF REAL OR TANGIBLE PERSONAL PROPERTY.
- (6) INCOME FROM PROVIDING TELEPHONE, FAX OR INTERNET SERVICES TO CUSTOMERS AT AN ADDITIONAL CHARGE, THAT IS SEPARATELY STATED TO THE CUSTOMER AND IS SEPARATELY MAINTAINED IN THE HOTEL'S BOOKS AND RECORDS. HOWEVER, SUCH GROSS PROCEEDS OF SALES OR GROSS INCOME MAY BE SUBJECT TO TAX UNDER SECTION 62-470 AS TELECOMMUNICATION SERVICES.

~~(c) Income derived from incarcerating or detaining prisoners who are under the jurisdiction of the United States, this State or any other state or a political subdivision of this State or of any other state in a privately operated prison, jail or detention facility is exempt from the tax imposed by this Section.~~

SECTION VIII. That Section 62-447 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-447. Rental, leasing, and licensing for use of real property: additional tax upon transient lodging.

In addition to the taxes levied as provided in Section 62-444, there is hereby levied and shall be collected an additional tax in an amount equal to two and nine-tenths percent (2.9%) of the gross income from the business activity of any hotel engaging or continuing within the City in the business of charging for lodging and/or lodging space furnished to any transient. ~~“Transient” means any person who, for any period of not more than thirty (30) consecutive days, either at his own expense or at the expense of another, obtains lodging or the use of any lodging space in any hotel for which lodging or use of lodging space a charge is made.~~

SECTION IX. That Section 62-450 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-450. Rental, leasing, and licensing for use of tangible personal property.

- (a) The tax rate shall be at an amount equal to one and one-half percent (1.5%) of the gross income from the business activity upon every person engaging or continuing in the business of leasing, licensing for use, or renting tangible personal property for a consideration, including that which is semi-permanently or permanently installed within the City as provided by Regulation.
- (b) Special provisions relating to long-term motor vehicle leases. A lease transaction involving a motor vehicle for a minimum period of twenty-four (24) months shall be considered to have occurred at the location of the motor vehicle dealership, rather than the location of the place of business of the lessor, even if the lessor's interest in the lease and its proceeds are sold, transferred, or otherwise assigned to a lease financing institution; provided further that the city or town where such motor vehicle dealership is located levies a Privilege Tax or an equivalent excise tax upon the transaction.
- (c) Gross income derived from the following transactions shall be exempt from Privilege Taxes imposed by this Section:
 - (1) Rental, leasing, or licensing for use of tangible personal property to persons engaged or continuing in the business of leasing, licensing for use, or rental of such property.
 - (2) Rental, leasing, or licensing for use of tangible personal property that is semi-permanently or permanently installed within another city or town that levies an equivalent excise tax on the transaction.
 - (3) Rental, leasing, or licensing for use of film, tape, or slides to a theater or other person taxed under Section 62-410, or to a radio station, television station, or subscription television system.
 - (4) Rental, leasing, or licensing for use of the following:
 - (A) Prosthetics,
 - (B) Income-producing capital equipment,
 - (C) Mining and metallurgical supplies.

These exemptions include the rental, leasing, or licensing for use of tangible personal property which, if it had been purchased instead of leased, rented, or licensed by the lessee or licensee, would qualify as income-producing capital equipment or mining and metallurgical supplies.

- (5) Rental, leasing, or licensing for use of tangible personal property to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property so rented, leased, or licensed is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512 or rental, leasing, or licensing for use of tangible personal property in this State by a nonprofit charitable organization that has qualified under Section 501(c)(3) of the United States Internal Revenue Code and that engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for mentally or physically handicapped persons.
- (6) Separately billed charges for delivery, installation, repair, and/or maintenance as provided by Regulation.
- (7) Charges for joint pole usage by a person engaged in the business of providing or furnishing utility or telecommunication services to another person engaged in the business of providing or furnishing utility or telecommunication services.
- (8) (Reserved)
- (9) Rental, leasing or licensing of aircraft that would qualify as aircraft acquired for use outside the state, as prescribed by Regulation, if such rental, leasing, or licensing had been a sale.
- (10) Rental, leasing and licensing for use of an alternative fuel vehicle ~~as defined in A.R.S. Section 43-1086~~ if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.

SECTION X. That Section 62-455 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-455. Restaurants and Bars.

- (a) The tax rate shall be at an amount equal to one and eight-tenths percent (1.8%) of the gross income from the business activity upon every person engaging or continuing in the business of preparing or serving food or beverage in a bar, cocktail lounge, restaurant, or similar establishment where articles of food or drink are prepared or served for consumption on or off the premises, including also the activity of catering. Cover charges and minimum charges must be included in the gross income of this business activity.
- (b) Caterers and other taxpayers subject to the tax who deliver food and/or serve such food off premises, shall also be allowed to exclude separately charged delivery, set-up, and clean-up charges, provided that the charges are also maintained separately in the books and records. When a taxpayer delivers food and/or serves such food off premises, his regular business location shall still be deemed the location of the transaction for the purposes of the tax imposed by this Section.
- (c) The tax imposed by this Section shall not apply to sales to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when sold for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.

- (d) The tax imposed by this Section shall not apply to sales of food, beverages, condiments and accessories used for serving food and beverages to a commercial airline, as defined in A.R.S. § 42-5061(A)(~~50~~)(49), that serves the food and beverages to its passengers, without additional charge, for consumption in flight.
- (e) The tax imposed by this Section shall not apply to sales of prepared food, beverages, condiments or accessories to a public educational entity, pursuant to any of the provisions of Title 15, Arizona Revised Statutes, to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours.
- (f) For the purposes of this Section, “accessories” means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

SECTION XI. That Section 62-465 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-465. Retail sales: exemptions.

Income derived from the following sources is exempt from the tax imposed by Section 62-460:

- (a) Sales of tangible personal property to a person regularly engaged in the business of selling such property.
- (b) Out-of-City sales or Out-of-State sales.
- (c) Charges for delivery, installation, or other direct customer services as prescribed by Regulation.
- (d) Charges for repair services as prescribed by Regulation, when separately charged and separately maintained in the books and records of the taxpayer.
- (e) Sales of warranty, maintenance, and service contracts, when separately charged and separately maintained in the books and records of the taxpayer.
- (f) Sales of prosthetics.
- (g) Sales of income-producing capital equipment.
- (h) Sales of rental equipment and rental supplies.
- (i) Sales of mining and metallurgical supplies.
- (j) Sales of motor vehicle fuel and use fuel which are subject to a tax imposed under the provisions of Article I or II, Chapter 16, Title 28, Arizona Revised Statutes; or sales of use fuel to a holder of a valid single trip use fuel tax permit issued under A.R.S. Section 28-5739, or sales of natural gas or liquefied petroleum gas used to propel a motor vehicle.
- (k) Sales of tangible personal property to a construction contractor who holds a valid Privilege Tax License for engaging or continuing in the business of construction contracting where the tangible personal property sold is incorporated into any structure or improvement to real property as part of construction contracting activity.
- (l) Sales of motor vehicles to nonresidents of this State for use outside this State if the vendor ships or delivers the motor vehicle to a destination outside this State.

- (m) Sales of tangible personal property which directly enters into and becomes an ingredient or component part of a product sold in the regular course of the business of job printing, manufacturing, or publication of newspapers, magazines, or other periodicals. Tangible personal property which is consumed or used up in a manufacturing, job printing, publishing, or production process is not an ingredient nor component part of a product.
- (n) Sales made directly to the Federal government to the extent of:
 - (1) One hundred percent (100%) of the gross income derived from retail sales made by a manufacturer, modifier, assembler, or repairer.
 - (2) Fifty percent (50%) of the gross income derived from retail sales made by any other person.
- (o) Sales to hotels, bars, restaurants, dining cars, lunchrooms, boarding houses, or similar establishments of articles consumed as food, drink, or condiment, whether simple, mixed, or compounded, where such articles are customarily prepared or served to patrons for consumption on or off the premises, where the purchaser is properly licensed and paying a tax under Section 62-455 or the equivalent excise tax upon such income.
- (p) Sales of tangible personal property to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property sold is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512 or sales of tangible personal property purchased in this State by a nonprofit charitable organization that has qualified under Section 501(C)(3) of the United States Internal Revenue Code and that engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for mentally or physically handicapped persons.
- (q) Food purchased with food stamps provided through the food stamp program established by the Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 958.7 U.S.C. Section 2011 *et seq.*) or purchased with food instruments issued under Section 17 of the Child Nutrition Act (P.L. 95-627; 92 Stat. 3603; and P.L. 99-669; Section 4302; 42 United States Code Section 1786) but only to the extent that food stamps or food instruments were actually used to purchase such food.
- (r) Sales of the following to persons engaging or continuing in the business of farming, ranching, or feeding livestock, poultry or ratites:
 - (1) Seed, fertilizer, fungicides, seed treating chemicals, and other similar chemicals.
 - (2) Feed for livestock, poultry or ratites, including salt, vitamins, and other additives to such feed.
 - (3) Livestock, poultry or ratites purchased or raised for slaughter, but not including livestock purchased or raised for production or use, such as milk cows, breeding bulls, laying hens, riding or work horses.
 - (4) (Reserved)

This exemption shall not be construed to include machinery, equipment, fuels, lubricants, pharmaceuticals, repair and replacement parts, or other items used or consumed in the running, maintenance, or repair of machinery, equipment, buildings, or structures used or consumed in the business of farming, ranching, or feeding of livestock, poultry or ratites.
- (s) Sales of groundwater measuring devices required by A.R.S. Section 45-604.
- (t) (Reserved)
- (u) Sales of aircraft acquired for use outside the State, as prescribed by Regulation.

- (v) Sales of food products by producers as provided for by A.R.S. Sections ~~§§~~ 3-561, 3-562 and 3-563.
- (w) (Reserved)
- (x) (Reserved)
- (y) (Reserved)
- (z) (Reserved)
- (aa) The sale of tangible personal property used in remediation contracting as defined in Section 62-100 and Regulation 62-100.5.
- (bb) Sales of materials that are purchased by or for publicly funded libraries including school district libraries, charter school libraries, community college libraries, state university libraries or federal, state, county or municipal libraries for use by the public as follows:
 - (1) Printed or photographic materials.
 - (2) Electronic or digital media materials.
- (cc) Sales of food, beverages, condiments and accessories used for serving food and beverages to a commercial airline, as defined in A.R.S. § 42-5061(A)(~~50~~)(49) that serves the food and beverages to its passengers, without additional charge, for consumption in flight. For the purposes of this subsection, “accessories” means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.
- (dd) In computing the tax base in the case of the sale or transfer of wireless telecommunication equipment as an inducement to a customer to enter into or continue a contract for telecommunication services that are taxable under Section 62-470, gross proceeds of sales or gross income does not include any sales commissions or other compensation received by the retailer as a result of the customer entering into or continuing a contract for the telecommunications services.
- (ee) For the purposes of this Section, a sale of wireless telecommunication equipment to a person who holds the equipment for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunication services that are taxable under Section 62-470 is considered to be a sale for resale in the regular course of business.
- (ff) Sales of alternative fuel as defined in A.R.S. Section 1-215, to a used oil fuel burner who has received a Department of Environmental Quality permit to burn used oil or used oil fuel under A.R.S. Section 49-426 or Section 49-480.
- (gg) Sales of food, beverages, condiments and accessories to a public educational entity, pursuant to any of the provisions of Title 15, Arizona Revised Statutes; to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours. For the purposes of this subsection, “accessories” means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.
- (hh) Sales of personal hygiene items to a person engaged in the business of and subject to tax under Section 62-444 of this code if the tangible personal property is furnished without additional charge to and intended to be consumed by the person during his occupancy.
- (ii) For the purposes of this Section, the diversion of gas from a pipeline by a person engaged in the business of operating a natural or artificial gas pipeline, for the sole purpose of fueling

compressor equipment to pressurize the pipeline, is not a sale of the gas to the operator of the pipeline.

- (jj) Sales of food, beverages, condiments and accessories to a nonprofit charitable organization that has qualified as an exempt organization under 26 U.S.C. Section 501(c)(3) and regularly serves meals to the needy and indigent on a continuing basis at no cost. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

~~(kk)~~(Reserved)

- ~~(H)~~(kk) Sales of motor vehicles that use alternative fuel as defined in A.R.S. Section 43-1086 if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and sales of equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.

SECTION XII. That Section 62-470 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-470. Telecommunication services.

- (a) The tax rate shall be at an amount equal to two and seventy-five one-hundredths percent (2.75%) of the gross income from the business activity upon every person engaging or continuing in the business of providing telecommunication services to consumers within this City.
- (1) Telecommunication services shall include:
- (A) Two-way voice, sound, and/or video communication over a communications channel.
 - (B) One-way voice, sound, and/or video transmission or relay over a communications channel.
 - (C) Facsimile transmissions.
 - (D) Providing relay or repeater service.
 - (E) Providing computer interface services over a communications channel.
 - (F) Time-sharing activities with a computer accomplished through the use of a communications channel.
- (2) Gross income from the business activity of providing telecommunication services to consumers within this City shall include:
- (A) All fees for connection to a telecommunication system.
 - (B) Toll charges, charges for transmissions, and charges for other telecommunications services; provided that such charges relate to transmissions originating in the City and terminating in this State.
 - (C) Fees charged for access to or subscription to or membership in a telecommunication system or network.

- (D) Charges for monitoring services relating to a security or burglar alarm system located within the City where such system transmits or receives signals or data over a communications channel.

(E) CHARGES FOR TELEPHONE, FAX OR INTERNET ACCESS SERVICES PROVIDED AT AN ADDITIONAL CHARGE BY A HOTEL BUSINESS SUBJECT TO TAXATION UNDER SECTION 62-444.

- (b) Resale telecommunication services. Gross income from sales of telecommunication services to another provider of telecommunication services for the purpose of providing the purchaser's customers with such service shall be exempt from the tax imposed by this Section; provided, however, that such purchaser is properly licensed by the City to engage in such business.
- (c) Interstate transmissions. Charges by a provider of telecommunication services for transmissions originating in the City and terminating outside the State are exempt from the tax imposed by this Section.
- (d) (Reserved)
- (e) (Reserved)
- (f) Prepaid Calling Cards. Telecommunications services purchased with a prepaid calling card that are taxable under Section 62-460 are exempt from the tax imposed under this Section.
- (g) Internet access services. The gross income subject to tax under this Section shall not include sales of Internet access services to the person's subscribers and customers. For the purposes of this subsection:
 - (1) "Internet" means the computer and telecommunications facilities that comprise the interconnected worldwide network of networks that employ the transmission control protocol or internet protocol, or any predecessor or successor protocol, to communicate information of all kinds by wire or radio.
 - (2) "Internet access" means a service that enables users to access content, information, electronic mail or other services over the Internet. Internet access does not include telecommunication services provided by a common carrier.

SECTION XIII. That Section 62-475 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-475. Transporting for hire.

The tax rate shall be at an amount equal to one and one-half percent (1.5%) of the gross income from the business activity upon every person engaging or continuing in the business of providing the following forms of transportation for hire from this City to another point within the State:

- (a) Transporting of persons or property by railroad; provided, however, that the tax imposed by this subsection shall not apply to transporting freight or property for hire by a railroad operating exclusively in this state if the transportation comprises a portion of a single shipment of freight or property, involving more than one railroad, either from a point in this State to a point outside this State or from a point outside this State to a point in this State. For purposes of this paragraph, "a single shipment" means the transportation that begins at the point at which one of the railroads first takes possession of the freight or property and continues until the point at

which one of the railroads relinquishes possession of the freight or property to a party other than one of the railroads.

- (b) Transporting of oil or natural or artificial gas through pipe or conduit.
- (c) Transporting of property by aircraft.
- (d) (Reserved)
- (e) (RESERVED)
- (f) DEDUCTIONS OR EXEMPTIONS. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM THE FOLLOWING SOURCES IS EXEMPT FROM THE TAX IMPOSED BY THIS SECTION:
 - (1) INCOME THAT IS SPECIFICALLY INCLUDED AS THE GROSS INCOME OF A BUSINESS ACTIVITY UPON WHICH ANOTHER SECTION OF ARTICLE IV IMPOSES A TAX, THAT IS SEPARATELY STATED TO THE CUSTOMER AND IS TAXABLE TO THE PERSON ENGAGED IN THAT CLASSIFICATION NOT TO EXCEED CONSIDERATION PAID TO THE PERSON CONDUCTING THE ACTIVITY.
 - (2) INCOME FROM ARRANGING AMUSEMENT OR TRANSPORTATION WHEN THE AMUSEMENT OR TRANSPORTATION IS CONDUCTED BY ANOTHER PERSON NOT TO EXCEED CONSIDERATION PAID TO THE AMUSEMENT OR TRANSPORTATION BUSINESS.
- (g) THE TAX IMPOSED BY THIS SECTION SHALL NOT INCLUDE ARRANGING TRANSPORTATION AS A CONVENIENCE TO A PERSON'S CUSTOMERS IF THAT PERSON IS NOT OTHERWISE ENGAGED IN THE BUSINESS OF TRANSPORTING PERSONS, FREIGHT OR PROPERTY FOR HIRE. THIS EXCEPTION DOES NOT APPLY TO BUSINESSES THAT DISPATCH VEHICLES PURSUANT TO CUSTOMER ORDERS AND SEND THE BILLINGS AND RECEIVE THE PAYMENTS ASSOCIATED WITH THAT ACTIVITY, INCLUDING WHEN THE TRANSPORTATION IS PERFORMED BY THIRD PARTY INDEPENDENT CONTRACTORS. FOR THE PURPOSES OF THIS PARAGRAPH, "ARRANGING" INCLUDES BILLING FOR OR COLLECTING TRANSPORTATION CHARGES FROM A PERSON'S CUSTOMERS ON BEHALF OF THE PERSONS PROVIDING THE TRANSPORTATION.

SECTION XIV. That Section 62-660 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Sec. 62-660. Use tax: exemptions.

The storage or use in this City of the following tangible personal property is exempt from the Use Tax imposed by this Article:

- (a) Tangible personal property brought into the City by an individual who was not a resident of the City at the time the property was acquired for his own use, if the first actual use of such property was outside the City, unless such property is used in conducting a business in this City.
- (b) Tangible personal property, the value of which does not exceed the amount of one thousand dollars (\$1,000) per item, acquired by an individual outside the limits of the City for his personal use and enjoyment.

- (c) Charges for delivery, installation, or other customer services, as prescribed by Regulation.
- (d) Charges for repair services, as prescribed by Regulation.
- (e) Separately itemized charges for warranty, maintenance, and service contracts.
- (f) Prosthetics.
- (g) Income-producing capital equipment.
- (h) Rental equipment and rental supplies.
- (i) Mining and metallurgical supplies.
- (j) Motor vehicle fuel and use fuel which are used upon the highways of this State and upon which a tax has been imposed under the provisions of Article I or II, Chapter 16, Title 28, Arizona Revised Statutes.
- (k) Tangible personal property purchased by a construction contractor, but not an owner-builder, when such person holds a valid Privilege License for engaging or continuing in the business of construction contracting, and where the property acquired is incorporated into any structure or improvement to real property in fulfillment of a construction contract.
- (l) Sales of motor vehicles to nonresidents of this State for use outside this State if the vendor ships or delivers the motor vehicle to a destination outside this state.
- (m) Tangible personal property which directly enters into and becomes an ingredient or component part of a product sold in the regular course of the business of job printing, manufacturing, or publication of newspapers, magazines or other periodicals. Tangible personal property which is consumed or used up in a manufacturing, job printing, publishing, or production process is not an ingredient or component part of a product.
- (n) Rental, leasing, or licensing for use of film, tape, or slides by a theater or other person taxed under Section 62-410, or by a radio station, television station, or subscription television system.
- (o) Food served to patrons for a consideration by any person engaged in a business properly licensed and taxed under Section 62-455, but not food consumed by owners, agents, or employees of such business.
- (p) Tangible personal property acquired by a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property is in fact used in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.
- (q) Food purchased with food stamps provided through the food stamp program established by the Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 958.7 U.S.C. Section 2011 *et seq.*) or purchased with food instruments issued under Section 17 of the Child Nutrition Act (P.L. 95-627; 92 Stat. 3603; and P.L. 99-669; Section 4302; 42 United States Code Section 1786).
- (r) The following tangible personal property purchased by persons engaging or continuing in the business of farming, ranching, or feeding livestock, poultry or ratites.
 - (1) Seed, fertilizer, fungicides, seed treating chemicals, and other similar chemicals.
 - (2) Feed for livestock, poultry or ratites, including salt, vitamins, and other additives to such feed.

(3) Livestock, poultry or ratites purchased or raised for slaughter, but not including livestock purchased or raised for production or use, such as milk cows, breeding bulls, laying hens, riding or work horses.

(4) (Reserved)

This exemption shall not be construed to include machinery, equipment, fuels, lubricants, pharmaceuticals, repair and replacement parts, or other items used or consumed in the running, maintenance, or repair of machinery, equipment, buildings, or structures used or consumed in the business of farming, ranching, or feeding of livestock, poultry or ratites.

(s) Groundwater measuring devices required by A.R.S. Section 45-604.

(t) (Reserved)

(u) Aircraft acquired for use outside the state, as prescribed by Regulation.

(v) Sales of food products by producers as provided for by A.R.S. Sections ~~§§~~ 3-561, 3-562 and 3-563.

(w) (Reserved)

(x) (Reserved)

(y) (Reserved)

(z) ~~(Reserved)~~ TANGIBLE PERSONAL PROPERTY USED OR STORED BY THIS CITY.

(aa) Tangible personal property used in remediation contracting as defined in Section 62-100 and Regulation 62-100.5.

(bb) Materials that are purchased by or for publicly funded libraries including school district libraries, charter school libraries, community college libraries, state university libraries or federal, state, county or municipal libraries for use by the public as follows:

(1) Printed or photographic materials.

(2) Electronic or digital media materials.

(cc) Food, beverages, condiments and accessories used for serving food and beverages to a commercial airline, as defined in A.R.S. Section 42-5061(A)(~~50~~)(49), that serves the food and beverages to its passengers, without additional charge, for consumption in flight. For the purposes of this subsection, “accessories” means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

(dd) Wireless telecommunication equipment that is held for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunication services that are taxable under Section 62-470.

(ee) (Reserved).

(ff) Alternative fuel as defined in A.R.S. § 1-215, by a used oil fuel burner who has received a Department of Environmental Quality permit to burn used oil or used oil fuel under A.R.S. § 49-426 or § 49-480.

(gg) Food, beverages, condiments and accessories purchased by or for a public educational entity, pursuant to any of the provisions of Title 15, Arizona Revised Statutes; to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours. For the purposes of this subsection, “accessories” means

paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

- (hh) Personal hygiene items purchased by a person engaged in the business of and subject to tax under Section 62-444 of this code if the tangible personal property is furnished without additional charge to and intended to be consumed by the person during his occupancy.
- (ii) The diversion of gas from a pipeline by a person engaged in the business of operating a natural or artificial gas pipeline, for the sole purpose of fueling compressor equipment to pressurize the pipeline, is not a sale of the gas to the operator of the pipeline.
- (jj) Food, beverages, condiments and accessories purchased by or for a nonprofit charitable organization that has qualified as an exempt organization under 26 U.S.C. Section 501(c)(3) and regularly serves meals to the needy and indigent on a continuing basis at no cost. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

~~(kk)~~(Reserved)

~~(H)~~(kk) Motor vehicles that use alternative fuel as defined in A.R.S. Section 43-1086 if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.

SECTION XV. That Regulation 62-310.3 of Chapter 62, Code of the City of Chandler is hereby amended as follows:

Reg. 62-310.3. Annual license fee for persons engaged in providing transient and non-transient lodging.

- (a) For the purposes of payment of the annual license fee imposed by Section 62-310, and this regulation, "primarily used for transient lodging" shall mean actual use of that particular lodging unit as transient lodging at or exceeding eighty-five percent (85%) of total use.
- (b) For the purposes of Subsections 310 (d) and (f) only, it shall be presumed that each lodging unit is not primarily for transient lodging and is therefore subject to the two dollar (\$2.00) per unit annual fee up to a maximum of ~~twenty-five~~ FIFTY dollars ~~(\$25.00)~~ (\$50.00) per license, until the contrary is established by the licensee to the satisfaction of the Tax Collector.
- (c) A person who is engaged in providing both transient and non-transient lodging shall pay:
 - (1) The two dollar (\$2.00) per unit annual license fee for each unit not primarily used for transient lodging; plus
 - (2) The ~~ten-FIFTY~~ ten-FIFTY dollar ~~(\$10.00)~~ (\$50.00) per location annual license fee for each location where he is providing units primarily used for transient lodging provided that the total annual license fees paid shall not exceed ~~twenty-five~~ FIFTY dollars ~~(\$25.00)~~ (\$50.00) per license.

~~(d)"Transient"~~ shall have the meaning set forth in Section 62-447.

SECTION XVI. That Regulation 62-447.1 of Chapter 62, Code of the City of Chandler is hereby repealed.

SECTION XVII. The provisions of Sections 1 and 2 of this ordinance, the provisions of Section 4 of this ordinance as it relates to subsections 62-410(b)(3) through (5) and 62-410(c), and the provisions of Sections 7, 8, 9, 10, 11, 12, and 13 of this ordinance shall be effective from and after January 1, 2007.

SECTION XVIII. The provisions of Section 4 of this ordinance as it relates to subsection 62-410(b)(2) shall be effective from and after July 1, 1999.

SECTION XIX. The provisions of Sections 4, 5, and 6 of this ordinance shall be effective from and after September 1, 2006.

INTRODUCED AND TENTATIVELY APPROVED by the City Council of the City of Chandler, Arizona, this 16th day of November, 2006.

ATTEST:

CITY CLERK

MAYOR

PASSED AND ADOPTED by the Mayor and Council of the City of Chandler, Arizona, this 11th day of December, 2006.

ATTEST:

CITY CLERK

MAYOR

Approved As To Form:

CITY ATTORNEY

JSS

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Ordinance No. 3853 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the 11th day of December, 2006, and that a quorum was present thereat.

CITY CLERK

Published: